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EXPLORATION OF ACCOUNTING STANDARDS IN BATIK TASIKMALAYA MSMEs IN EFFORTS TO IMPROVE BANKING CAPITAL ACCESS

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ABSTRACT

The preparation of financial statements is one of the problems that is often overlooked by the business of Micro, Small and Medium Enterprises (MSMEs). Most MSMEs have not yet applied applicable financial accounting standards. The initial survey that has been conducted, found that most of the Batik Tasikmalaya MSMEs actors do not understand and apply the Standar Entitas Mikro Kecil dan Menengah (SAK EMKM) which are effective as of January 1, 2018, as a guideline in preparing the MSMEs financial statements to improve access banking capital. The purpose of this research is to analyze and find out the Application of Financial Accounting Standards in Preparing the Batik Tasikmalaya MSMEs Financial Report. This research uses a descriptive method with a quantitative approach. This study tested as many as 30 Batik MSMEs in Tasikmalaya is a sample. The results of the study showed that the financial statements prepared by MSMEs of Batik Tasikmalaya did not meet financial accounting standards.

Keywords: Accounting Standard Finances, Financial Accounting Standards for MSMEs, SAK EMKM, Financial Reports, MSMEs.

I. Introduction

Dewan Standar Akuntansi Keuangan-Ikatan Akuntan Indonesia (DSAK-IAI) in the last 10 years has succeeded in developing financial accounting standards, which consists of the adoption of International Financial Reporting Standards (IFRS) as well as the preparation and issuance of financial accounting standards for MSMEs, namely SAK Entitas Tanpa Akuntabilitas Publik (SAK ETAP). Continuing this success, DSAK-IAI began January 1, 2018, to apply special SAK for MSMEs, namely Standar Akuntansi Keuangan Entitas Mikro Kecil dan Menengah (SAK EMKM). With the existence of SAK EMKM, it is expected that MSMEs actors can implement it so that MSMEs in Indonesia have financial statements that are of a general standard. Winarningsih (2009) states that the birth of SAK UKM is an answer to public demands, especially the Small and Medium Enterprises sector which so far requires special standards to regulate SMEs.

MSMEs in Indonesia is developing with great potential. It can be seen from the contribution of the MSMEs sector to domestic product (GDP) that has increased over the last

five years. The contribution of the MSMEs sector increased to 60.34 percent. Not only that, but labor absorption in the MSMEs sector also grew to 97.22 percent. Thus, MSMEs have a strategic role to fight poverty and unemployment (Prasetyo, 2008).

The main purpose of a business is to make a profit but to achieve the main goal there are many obstacles, especially in matters of financial management. The problem of financial management is one of the obstacles that is often overlooked by MSMEs business people. Where most MSMEs still do not apply applicable financial accounting standards (Srikandi, 2008). The form of MSMEs which is more dominated by individual companies results in the lack of need to make financial reports following applicable accounting standards. The form of an individual company also causes the preparation of financial statements for personal business owners with their business activities often not done.

The initial survey that was conducted, found that most of the Batik Tasikmalaya MSMEs did not understand and apply SAK EMKM in preparing their business financial statements. Tasikmalaya is a part of the region in West Java, Indonesia. This problem arises because of the very limited knowledge and information of MSMEs actors. Based on the background that has been explained, this study aims to analyze and find out the application of financial accounting standards in the formulation of the distinctive Batik Tasikmalaya MSMEs' financial statements.

II. Literature Review

MSMEs

According to article 6 of Republik Indonesia Law, number 20 of 2008 referred to as MSMEs is for net assets owned by micro-businesses, namely IDR 50,000,000, in this case, does not include building and land assets. As for the annual sales results of IDR 300,000,000. Meanwhile, the net worth of a small business is IDR 50,000,000 to IDR 500,000,000, in this case not including building and land assets. As for the annual sales results of IDR 2,500,000,000. And the net worth owned by a medium business is IDR 500,000,000 to IDR 10,000,000,000, in this case not including building and land assets. As for the annual sales results of IDR 2,500,000,000 to IDR 50,000,000,000.

SAK EMKM (Entitas Mikro Kecil Menengah)

SAK EMKM is an accounting standard for micro, small and medium businesses. IAI (2016) explains that SAK EMKM is designed to meet the financial reporting needs of MSMEs. It is hoped that the SAK EMKM reporting framework can assist entities in making the transition from cash-based reporting to accrual-basis reporting.

Application of accounting at MSMEs

According to IAI (2016) in SAK EMKM, there are several steps in the implementation of MSME financial statements, namely:

A. Recognition in financial statements

Assets are recognized in the statement of financial position when their future economic benefits are certain to flow into the entity and the assets have costs that can be measured reliably. Assets are not recognized in the statement of financial position if the economic benefits do not flow in the entity even though expenditure has occurred as an alternative, the transaction results in the recognition of an expense in the income statement.

B. Measurement of Financial Statements

Measurement is the process of determining the amount of money to recognize assets, liabilities, income, and expenses in the financial statements. The basis for measuring the elements of financial statements in SAK EMKM is historical costs. The historical cost of an asset is the amount of cash and cash equivalents paid to obtain the asset at acquisition. The historical cost of a liability is the amount of cash and cash equivalents received or the amount of cash expected to be paid to meet obligations in the ordinary course of business.

C. Presentation of Financial Statements

According to IAI the fair presentation of the financial statements is following the requirements of SAK EMKM and the full understanding of financial statements for entities. To achieve fairness in the preparation of financial statements, entities are advised to present relevant reports, representation, comparability, and comprehension.

III. Method

The research method used in this research is descriptive. The use of descriptive methods in this research is to explain and describe phenomena related to the role of the application of financial accounting standards to increase access to banking capital. This

research is a type of quantitative approach, where quantitative research is to get in-depth data, data that contains meaning. Research using a quantitative approach can affect the substance of research. This means that quantitative research directly presents the nature of the relationship between researchers and informants, objects and research subjects.

The population in this study were embroidery and convection MSMEs located in the Cigeureung Subdistrict of Tasikmalaya City, totaling 30 MSMEs of Batik Centers. The sample is a useful part of the population's research objectives and aspects. In this study, the entire population was sampled. Therefore, we will examine a sample of 30 respondents from the MSMEs of Batik Centers.

We use several techniques in data collection following Sugiono's opinion (2007:129) when viewed in terms of the method or technique of data collection, it can be done by documenting studies, library research, observation, and a combination of the three. The data collection techniques that we use are as follows:

1. Documentation Study

Collecting data derived from certain documents for data analysis needs. Where the documents required in this study are the financial statements of the MSMEs Batik business sector in Cigeureung District, Tasikmalaya City.

2. Literature Research

Research by reading literature books, scientific articles, relevant previous research results, dictates and papers needed in connection with the problem under study and literature review.

3. Observation

Observe the implementation of the company's operations director and compare MSMEs' financial management with accounting standards and find out access to capital obtained by the sector.

Measurement scale in processing the results of the questionnaire data, the author uses the Guttman scale, namely for the answer "Yes" given a score of one, while for the answer "No" is given a zero score with the provisions put forward by Sugiyono (2014:239) regarding the Guttman scale, the provisions are as following:

$$\text{Range} = \frac{\text{Highest Score} - \text{Lowest Score}}{\text{Range of Scores}}$$

$$\text{Range} = \frac{5 - 1}{5}$$

$$\text{Range} = 0,8$$

Based on this formula, the range of scores obtained for each statement are as follows:

1.00 - 1.80 = Very low

1.81 - 2.60 = Low

2.61 - 3.40 = Enough

3.41 - 4.20 = Height

4.21 - 5.00 = Very High

IV. Result and Discussion

Based on the results of respondents' answers through a questionnaire distributed to 30 MSMEs Batik Centers in Cigeureung District of Tasikmalaya City to explore financial accounting standards through several variables included in financial accounting standards. These variables include measurements, basic assumptions, and presentation of financial statements.

Measurements

Based on data processing from the measurement of financial statements at the MSMEs of Batik Tasikmalaya by knowing the average respondent responses seen in Table 1 below:

Table 1. Average Respondents' Answers Basis of Measurement of Financial Statements

No	Statement of Indicators	Answer Criteria					Number of Respondents	Average	Conclusion	
		5	4	3	2	1				
1	The basis for measuring financial statements is historical costs	Frequency	6	20	2	2	0	30	4	Height
		Score	30	80	6	4	0	120		

Source: Data Processed

From the table above it is known that the average response of respondents regarding the basic aspects of measuring financial statements is in the high category. This shows that the basis for measuring assets is measured using the price at which the asset was acquired. It is appropriate that the basis for measuring financial statements is historical costs.

Basic Assumptions

Based on the results of data processing, the average responses of respondents regarding the basic assumptions used in the preparation of financial statements at the MSMEs of Batik Tasikmalaya are shown in Table 2 below:

Table 2. Average Respondents' Answers in Basic Assumptions in Preparing Financial Statements

4.1 Preparing Financial Statements										
No	Statement of Indicators	Answer Criteria					Number of Respondents	Average	Conclusion	
		5	4	3	2	1				
2	Accrual-based financial statement preparation	Frequency	0	0	11	17	3	30	2.3	Very Low
		Score	0	0	33	34	3	70		
3	Separate between personal finance and business finance	Frequency	0	9	16	5	0	30	3.1	Enough
		Score	0	36	48	10	0	94		
4	Assessing business continuity	Frequency	5	13	12	0	0	30	3.8	Height
		Score	25	52	36	0	0	113		
	Number of Frequencies	5	22	39	22	3	90		3.1	Enough
	Score	25	88	117	44	3	277			

Source: Data Processed

From the above table, it is known overall that the basic assumptions in the category are sufficient. This shows that the understanding of the basic assumptions in the preparation of financial statements is sufficiently understood by entrepreneurs of the Batik Tasikmalaya MSMEs. Besides, each indicator variable has different categories. The variable indicators for the preparation of accrual-based financial statements on average are in the very low category because the majority of Batik Tasikmalaya MSMEs are still preparing financial reports on a cash basis. That is because they do not understand the basis of accruals in preparing financial statements, especially recording transactions at the time the transactions occur.

Another indicator variable is a business entity. Business entities consider that business units are separate from their owners or other business units so that there is a clear dividing line between the two. From Table 2 it is known that the MSMEs of Batik Tasikmalaya is in a fairly consistent category in applying the concept of business entities although there are still some entrepreneurs who still have not applied it. That is because of the habits of MSMEs actors who often directly use the company's assets for personal expenses, especially in cash disbursements. The last variable indicator of the basic assumptions is going concerned. From

Table 2 it is known that the average respondent's answers regarding business continuity are in the high category. This shows that the majority of Batik Tasikmalaya MSMEs actors do not have the aim to liquidate or stop their business operations and assume that their business will continue to run long-term.

Presentation of Financial Statements

Based on the results of data processing the average response of respondents regarding the presentation of financial statements at the MSMEs of Batik Tasikmalaya is shown in Table 3 below:

Table 3. Average Respondents' Answers on the Presentation of Financial Statements

Table 6: Average Respondents' Answers on the Presentation of Financial Statements										
No	Statement of Indicators	Answer Criteria					Number of Respondents	Average	Conclusion	
		5	4	3	2	1				
5	The financial statement components are in accordance with SAK EMKM	Frequency	8	5	10	7	0	30	3.4	Enough
		Score	40	20	30	14	0	104		
6	The financial statements present information on assets, liabilities and capital	Frequency	10	9	5	6	0	30	3.4	Enough
		Score	50	36	15	12	0	103		
7	The income statement presents income and expenses	Frequency	8	12	7	3	0	30	3.8	Height
		Score	40	48	21	6	0	115		
8	Complete information in the notes to the financial statements	Frequency	0	10	14	6	0	30	3.1	Enough
		Score	0	40	42	12	0	94		
	Number of Frequencies	26	36	36	22	0	94	3.4	Enough	
	Soce of Financial StatementPresentation	120	144	108	44	0	416			
	Sum of all Frequencies	37	78	77	46	3	241	3.4	Enough	
	Overall Score	175	312	231	92	3	813			

Source: Data Processed

From Table 3 it is known that the indicators of financial statement components made in full by the MSMEs of Batik Tasikmalaya following SAK EMKM are included in the sufficient category. This shows that the majority of entrepreneurs already know the components of a complete financial statement based on SAK EMKM. For financial statement indicators that present assets, liabilities, and equity are known to fall into the sufficient category, which shows that the majority of entrepreneurs already know the presentation of

financial statements following SAK EMKM. As for a small number in the field who have not yet made and presented financial statement reports that present assets, liabilities, and equity because they do not realize the importance of financial position statements and do not understand how to make financial position reports.

Another indicator in the financial statement presentation variable is the income statement that presents income and expenses. From Table 3 it can be seen that the average response of respondents regarding the income statement that presents income and expenses is classified in the high category. This shows the majority of MSME actors make income statements every period. MSMEs actors are very enthusiastic about making income statements. This is due to the need for the income statement. The income statement is used as a benchmark of business performance by MSMEs of Batik Tasikmalaya actors so that they know the condition of their business whether they experience losses or gains in each period. The last indicator of the financial statement presentation is making notes on the financial statements. From Table 3 it can be seen that the making of notes on financial statements on average respondents is classified as sufficient criteria. This shows that the majority of MSMEs actors do not yet know the notes to the financial statements so the entrepreneurs do not make notes on the financial statements in the components of financial statements based on SAK EMKM.

From Table 3 it can be seen that overall the average respondent is in the sufficient category. This shows that the MSMEs of Batik Tasikmalaya actors do not yet have a high understanding of accounting standards for MSMEs so that entrepreneurs find it difficult to get access to capital from banks because one of the factors is not being able to make financial reports following SAK EMKM.

V. Conclusion

Based on the results of the research that has been achieved, it can be concluded that the financial statements made by MSMEs of Batik Tasikmalaya have not met financial accounting standards.

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